CALIFORNIA Senate Republican Caucus

Highlights and Analysis of the 2003-04 May Revision - "*Budget Shortfall Reloaded*"

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SENATE REPUBLICAN FISCAL OFFICE

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Overview of May Revision Changes to Budget "Solutions"

The May Revision makes major changes in the "solutions" to the state's budget crisis proposed by the Administration. Table 1 displays the Administration's characterization of the kinds of "solutions" used to close the largest budget gap in the state's history. As the table shows, the two largest changes are the reduction in the realignment proposal and the new proposal for deficit financing. These issues are discussed in detail below. Also discussed separately below are the changes in the mix of tax increases proposed in the May Revision.

Table 1

Comparison of Governor's Budget to May Revision "Solutions"

(Dollars in millions)

	January	May Revision
Cuts/Savings	$20.7	$18.9
Realignments	8.2	1.7
Fund Shifts	1.9	2.1
Transfers	2.1	1.9
Loans/Borrowing	1.7	2.9
Deficit Financing	0	10.7
Totals	**$34.6**	**$38.2**

May Revision Exaggerates Real Cuts

The May Revision actually proposes fewer real program reductions and more one-time gimmicks than were proposed in January. Table 2 compares the "Cuts/Savings" proposed in January to those proposed in the May Revision.

Table 2

Two-Year Savings From "Cuts/Savings" General Fund

(Dollars in billions)

	January	May Revision Adjustments	May Revision Totals
Ongoing, Baseline Program Reductions			
Cuts Pulled Back in May Revision	$6.3	-$5.1	$1.2
New Cuts Proposed in May Revision	-0.1	2.2	2.1
Cuts Unchanged in May Revision	5.9	0.0	5.9
Subtotals, Real Cuts	**$12.1**	**-$2.9**	**$9.2**
One-time Savings, Fund Shifts, and Other	**$4.4**	**$1.1**	**$5.5**
VLF Offset	**$4.2**	**$0.0**	**$4.2**
Totals, "Cuts/Savings"	**$20.7**	**-$1.8**	**$18.9**

Baseline Reductions Are *NOT* Year-Over-Year Cuts

Table 2 displays the three categories that go into the Administration's tally of what it terms "Cuts/Savings". It is important to note that there are very few cuts proposed in the Budget that will actually result in a year-over-year reduction in spending. The ongoing, baseline reductions proposed in the budget are in reference to a “baseline” budget, or a “current services level” budget, i.e., the current year levels of spending adjusted for one-time effects, recent legislation, caseload growth and price increases. This kind of current services level budget is used by both the Legislative Analyst’s Office (LAO) and the Department of Finance (DOF) as a starting point for estimating the budget shortfall. Differences in this estimate account for much of the difference between the LAO’s and DOF’s shortfall estimates.

The ongoing baseline cuts displayed in Table 2 reflect proposals to spend below the current services level budget, which in many cases still results in an increase in spending as compared to the current-year levels. Thus, even these “cuts” are not cuts in the common sense of the term.

Ongoing Baseline Program Reductions Proposed in January and Pulled Back in the May Revision. As Table 2 shows, the May Revision proposes to reduce the $6.3 billion in program reductions that were proposed in January, with the net result being a loss of $5.1 billion in savings. These savings pull-backs include the following major proposals:

- Reduce across-the-board education cuts from $1,956.8 million to $878.4 million, for lost savings of $978.4 million;
- Eliminate $834.5 million proposed savings from across-the-board categorical education cuts;
- Eliminate $662.4 million proposed savings from SSI/SSP grant cuts;
- Eliminate $612.4 million proposed savings from across-the-board cuts to school districts and county offices of education revenue limits;
- Reduce the proposed 7.46 percent categorical reduction in education by half, thereby losing $477.9 million in savings;
- Reduce the proposed Medi-Cal provider rate reduction from $810.9 million to $611.1 million, thereby losing $199.8 million in savings;
- Reduce the proposed 3.66 percent cut to Community Colleges from $194.9 million to $30.9 million, thereby losing $164 million in savings;
- Eliminate $124.2 million in savings by not rolling back 1931(b) Medi-Cal expansion;
- Reduce the proposed savings in Adult Dental Medi-Cal from $260.3 million to $146.1 million, thereby losing savings of $114.2 million;
- Eliminate the proposed savings from eliminating CalWORKS Stage 3 child care, thereby losing savings of $98.8 million;
- Reduce the proposed 7.46 percent categorical reduction in Community Colleges by half, thereby losing $60.4 million in savings;
- Finally, there are over 100 other cuts proposed in January that were eliminated or reduced in the May Revision, all resulting in lost savings of smaller amounts than those itemized above, but still totaling $774.5 million in lost savings.

New Ongoing Baseline Program Reductions Proposed in the May Revision. As Table 2 shows, the May Revision also proposes new cuts totaling $2.2 billion in new savings. Most of these new cuts are in education, with the largest being the following:

- Child Care Reforms and other Proposition 98 savings, $384.2 million;
- Reduce District Apportionments by 1.088 percent, $343.1 million;
- Eliminate Equalization Funding, $250 million.

Ongoing Baseline Program Reductions Unchanged in the May Revision. Table 2 shows that the May Revision proposes not to change $5.9 billion in cuts proposed in the January Budget.

One-time Savings, Fund Shifts, and Other. As Table 2 shows, the May Revision includes $5.5 billion in expenditure reductions that do not consist of real program reductions. The largest examples include:

- $ 930 million in one-time savings due to switching Medi-Cal from an accrual to a cash basis;
- $ 716.7 million in one-time savings from continuing the education apportionment deferral;
- $ 870 million in one-time savings that must ultimately be paid back from deferring mandate reimbursement payments;
- $500 million in one-time savings from "deferring" the General Fund loan from the Transportation Congestion Relief Fund.

VLF Tax Increase Is Shown As One of the "Cuts/Savings." Finally, as Table 2 shows, the Administration has characterized the triggering of the increase in the VLF tax as one of the "Cuts/Savings." While it is technically true that the state ledger will show a reduction in this subvention to local governments, it is clearly incorrect to view this tax increase as a spending cut.

Structural Reform Issues

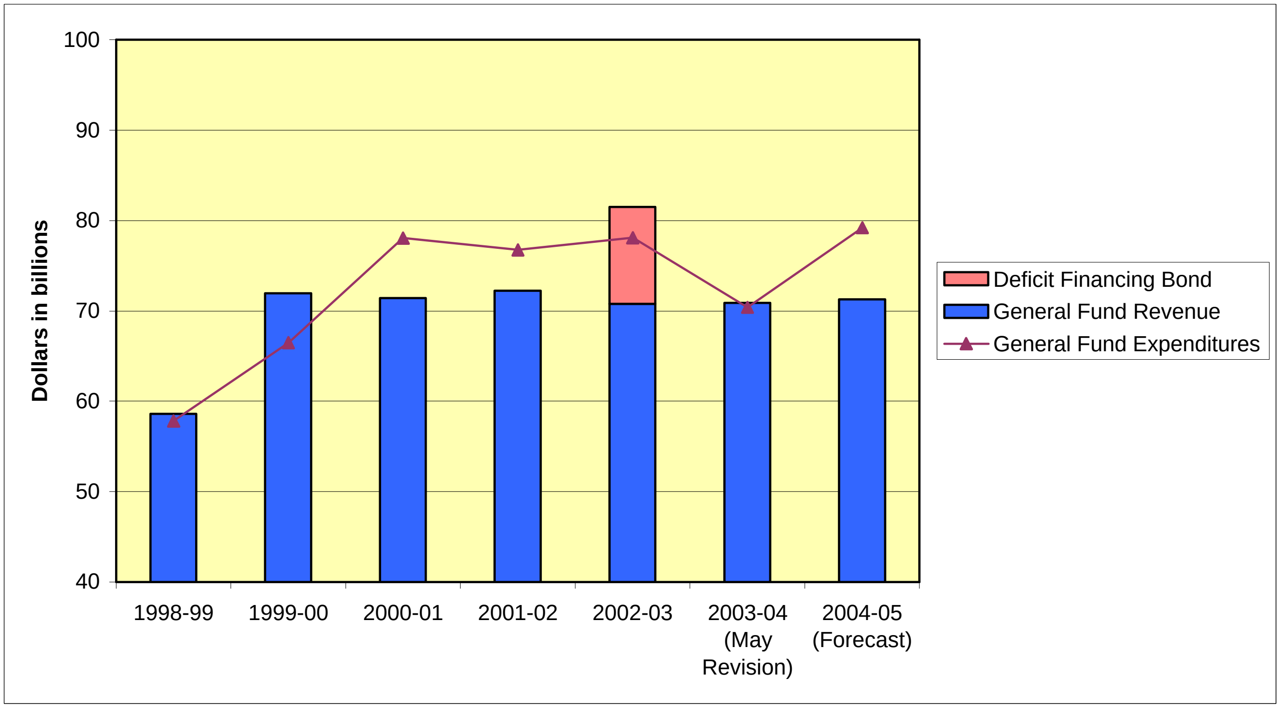
May Revision Punts on Structural Reform

The May Revision indicates that the General Fund budget will be $7.9 billion out of balance in 2004-05, the year after the budget year, and refers to this as the "structural deficit" built into the May Revision budget proposal. Figure 1 shows how the state got to the point of having a structural deficit and why the May Revision does nothing to solve the problem.

Specifically, Figure 1 shows that, in the last year of the Wilson Administration, 1998-99, the state spent approximately what it took in, yet only two years later, in 2000-01, the state was already spending far more than its revenues. This deficit spending continued in 2001-02. However, the Deficit Financing Bond proposed for 2002-03 (see below for detailed discussion) injects $10.7 billion of "revenue," allowing the state to spend even more than it did in 2001-02.

This situation is further aggravated by the failure of the May Revision to propose substantial real spending cuts, as discussed above. By building in internal borrowing, one-time savings, and other gimmicks, the May Revision sets up a spending pressure for 2004-05 that will, if unchecked, result in another year of deficit spending.

Figure 1
General Fund Revenue and Expenditures



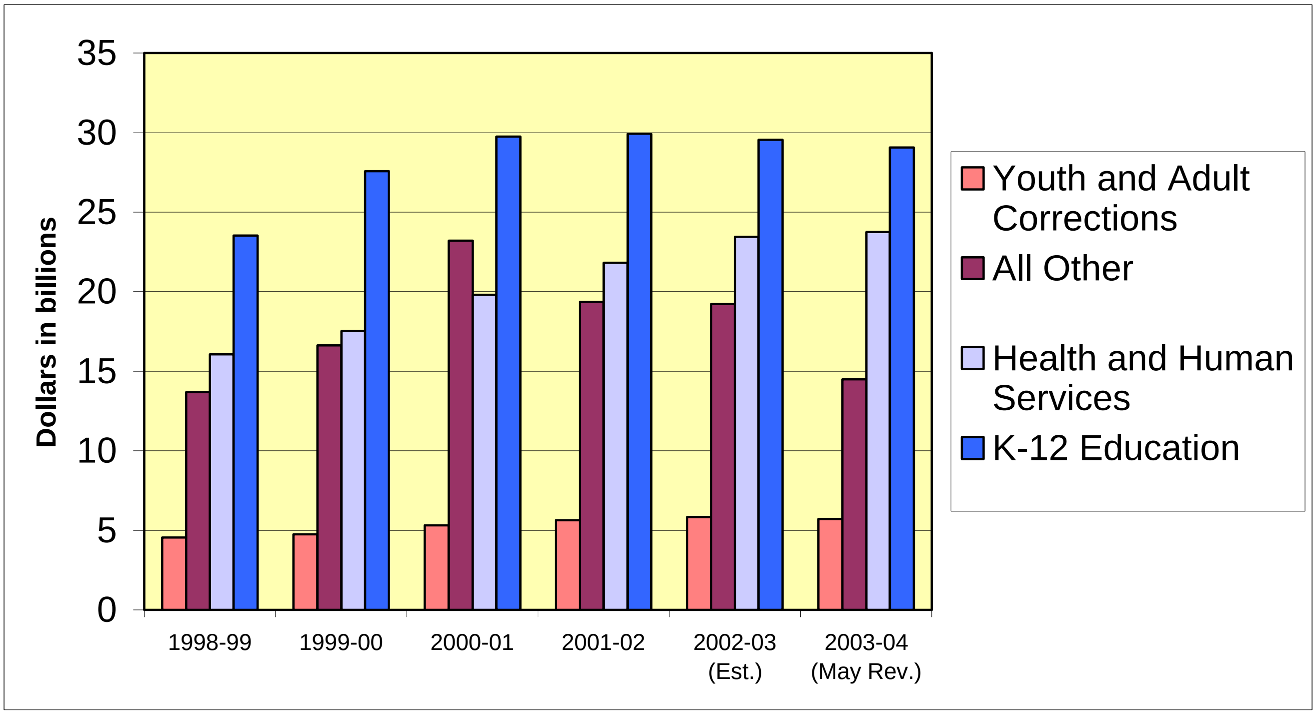
Senate Republican Plan Would Conquer the Structural Deficit

The May Revision's borrow and delay approach to budgeting stands in stark contrast to the Senate Republican Budget plan, which would curb spending with real cuts and then freeze spending at the lower level until an economic upturn restores revenue growth. While the Davis Administration has given credit to Republicans for recognizing that the budget crisis cannot be resolved in a single year, the May Revision imprudently proposes to borrow ***in lieu of real reform.***

Structural Budget Reform Must Curb Health and Human Services Growth

Figure 2 shows how the spending growth under the Davis Administration has been prioritized. Despite claims about the priority of education, the figure clearly shows that the fastest growing major budget category has been the Health and Human Services budget. Given the apparent inability of the current administration to control these costs, it is probable that increases in this area will be the major factor in the "structural deficit." As such, reforms in Health and Human Services costs would appear to be the highest priority for structural reform.

Figure 2
General Fund Expenditures by
Major Category



Note: For accuracy of comparison, the 2003-04 Health and Human Services Bar adds back the $930 million in one-time savings resulting from the Medi-Cal accounting shift and the $1,734 million "savings" associated with the Realignment tax increase.

Deficit Financing Bond – A Permanent Line of Credit?

The linchpin of the Governor's May Revision is a deficit financing scheme that requires the sale of bonds to retire an "accumulated budget deficit." The bonds would be financed by a "temporary" one-half cent increase in sales tax. The revenues from the "temporary" sales tax increase would be deposited into a newly created special fund, dedicated solely for the purpose of the repayment of the bonds, and appropriated annually for debt service payments on the bonds. According to the Administration, these new revenues are not required to be included in the Proposition 98 calculation, as new revenues that are dedicated to a special fund are excluded from General Fund revenues for purposes of that calculation, similar to the realignment revenues.

The highlights of the Governor's Deficit Financing proposal include:

- The draft language defines "accumulated budget deficit" as the negative fund balance, after excluding the deficit financing bond proceeds, in the Special Fund for Economic Uncertainties (SFEU) as of June 30, 2003, as certified by the Director of Finance prior to the issuance of any bonds.

- The proposal creates a California Fiscal Recovery Financing Authority, consisting of the Governor or his or her designee, the Director of Finance, the Treasurer, the Controller, the Secretary for Business, Transportation and Housing, the Director of General Services, and the Director of Transportation, and authorizes the Authority to issue taxable or tax-exempt bonds for the purpose of funding the accumulated budget deficit. A majority of the members of the Authority shall constitute a quorum of the authority and may act for the Authority. In essence, the Governor and his appointees will control the Authority.
- The proposal creates a new special fund in the state treasury known as the Fiscal Recovery Fund, and requires all revenues from the one-half cent sales and use tax increase to be deposited in to this fund.
- The proposal continuously appropriates $1 million from the Fiscal Recovery Fund to the Authority to pay its administrative costs, as approved by the Director of Finance.
- The proposal allows for the termination of the Fiscal Recovery Fund when the Director of Finance certifies to the Treasurer, the Authority and Board of Equalization the earliest of the following events: (1) all bonds and ancillary obligations outstanding have been repaid or retired; (2) payment of the principal and interest on all bonds has been irrevocably provided for pursuant to the indenture and no bonds are deemed "outstanding" pursuant to the indenture; or (3) the fiscal recovery fund holds sufficient funds to pay the principal and interest to final maturity on all bonds outstanding, if such funds were appropriated for such purpose by the Legislature.
- The proposal provides that the temporary tax increase shall cease on the first day of the first calendar quarter commencing more than 90 days following notification to the Board of Equalization by the Director of Finance.

After reviewing the details of the Governor's "draft" proposal, we note the following:

- Since the proposal contains a tax levy and an urgency clause, it will require a 2/3rds vote in both houses of the legislature to become law.
- Assuming adoption of the Deficit Financing proposal, the Governor's May Revision currently estimates a structural deficit of $7.9 billion in 2004-05, and calls on the legislature to enact "structural reforms" in order to eliminate this projected deficit. Should the Legislature fail to adopt as yet undefined "structural budget reforms," then ***a majority vote of a future legislature could simply amend the statute and redefine "accumulated budget deficit" to include a June 30, 2005, negative fund balance in the SFEU, and the Authority could issue additional bonds to retire the future debt.***
- The proposal creates a new special fund to receive the proceeds of the sales tax increase. Under current law, appropriations from special funds require a majority vote. Therefore***, any future debt service payments on the bonds could be provided by a majority vote of the legislature.***
- The proposal requires the Director of Finance to certify specified events have occurred in order for the "temporary" sales tax increase to cease. ***Since the mechanics of this Deficit Financing scheme can be completely controlled by a majority vote of a future legislature, it is possible that the certification would never occur, and the "temporary" tax increase would evolve into an on-going $2.4 billion line of credit, thereby allowing the Administration's "spending binge" to continue.***

Tax Issues

May Revision Continues Reliance on Tax Increases

The May Revision proposes a very different mix of tax increases than the Governor proposed in January. Table 3 compares the two proposals.

Table 3

Tax Increases
Comparison of January Budget to
May Revision 2003-04

(Dollars in millions)

Provision	**January**	**May Revision**	**Change**
Restore PIT Top Bracket	$2,580	$1,560	-$1,020
Sales and Use Tax Increase	4,584	1,742	-2,842
Increase Tobacco Tax	1,170	267	-903
Vehicle License Fees	0	4,183	4,183
Nat. Heritage Preservation Credit	0	9	9
Teacher Tax Credit	0	175	175
RICs	45	45	0
MIC clarification	50	50	0
Total	**$8,429**	**$8,031**	**-$398**

As the table shows, the major May Revision tax increase provisions are as follows:

- **Personal Income Tax Top Bracket.** The new Personal Income Tax (PIT) bracket of 10.3 percent would apply to single filers with incomes of $150,000 and above and to joint filers with incomes $300,000 and above. These rates would be effective for the 2003 tax year and beyond. This proposal replaces the January 10-percent and 11-percent top bracket PIT proposals. Revenues from the new bracket would be deposited into the Enhanced State and Local Realignment Fund and dedicated to funding the realignment proposal.

- **Sales Tax Increase.** The May Revision proposes a supposedly temporary ½-cent sales tax increase to provide a funding mechanism for a deficit reduction bond (see discussion above). This tax increase is expected to last at least five years with first-year revenue estimated at $1.74 billion and $2.43 billion in the 2004-05 fiscal year. However, as discussed above, it is possible that the tax would remain in effect indefinitely.

- **Tobacco Tax Increase.** The tobacco excise tax increase of $0.23 per pack would be effective July 1, 2003, which would bring the total tobacco excise tax to $1.10 ($0.87 + $0.23). The tax increase on cigarettes would be deposited into the Enhanced State and Local Realignment Fund and dedicated to funding the realignment proposal (see discussion below). The tax would increase by an additional $0.40 per pack effective July 1, 2004, which would bring the total tobacco excise tax to $1.50 ($1.10 + $0.40). These increases would also result in an equivalent increase for other non-cigarette tobacco products with those proceeds going to the Cigarette and Tobacco Products Surtax Fund. This will result in reduced revenues from existing tobacco taxes. The anticipated $29 million loss to the existing programs supported from those revenues will be backfilled from the new tax.

- **Vehicle License Fee (VLF).** The May Revision assumes that the VLF "trigger" will be pulled effective July 1, 2003 and that all offsets would be eliminated. The effect of this is a $4.2 billion tax increase on private and commercial vehicle owners in the state. The VLF fees are subvened to local governments, but the General Fund benefits from this fee because the state no longer is required to "backfill" local revenues for the VLF offsets. The Administration has not said what the mechanism, if any, might be for the VLF offsets to trigger back on. Accordingly, this tax increase could last indefinitely.

- **Teacher retention tax credit one-year suspension.** The May Revision proposal would suspend this credit for one year (the 2003 tax year). The 2002 Budget Act also included a one-year suspension. This credit is available to credentialed teachers in a public or private elementary, secondary, or vocational-technical school located in California that provides education for kindergarten or grades 1 to 12. The amount of the credit ranges from $250 to $1,500, depending upon the years of service, with a minimum time of four years of service as a credentialed teacher.

- **Natural Heritage Preservation Tax Credit one-year suspension.** This program allows private landowners to donate land or water rights to state and local agencies or designated nonprofit organizations for conservation purposes. A donor receives a tax credit in an amount equal to 55 percent of the appraised fair market value of the contribution. The May Revision proposes to suspend the award of credits for one year for a General Fund savings of $8.7 million in 2003-04.

The May Revision also includes two tax increase proposals unchanged from the Governor's January proposal:

- **Regulated Investment Companies.** The Budget proposes to prevent banks from utilizing Regulated Investment Companies (RIC) to avoid California tax by improperly sheltering income. The proposal would be implemented prospectively, and is estimated to increase revenues by $45 million in 2003-04 and $55 million in 2004-05. A RIC is a mutual fund or real estate investment trust that is eligible to pass the taxes on capital gains, dividends, or interest payments on to the clients or individual investors. RICs are exempt from paying federal and state income taxes.

- **Manufacturers' Investment Credit (MIC) Clarification.** The Budget proposes clarifying that the MIC is intended to apply to manufacturing activities as specified in the Standard Industrial Code. This proposal would increase revenues by an estimated $50 million in 2003-04 and $50 million in 2004-05.

How Severely Will The Tax Increases Affect The State's Economy ?

The $8 billion in tax increases included in the Budget will have a negative effect on the state's economy. No comprehensive estimate of the magnitude of this effect is available. However, in April of 2000, The Chief Economist with the State Board of Equalization outlined the potential impact of a sales tax increase. He estimated that for every 0.25 percent increase in sales tax, there would be a corresponding reduction in taxable sales of $920 million. Given the Budget's reliance on a ½-cent sales tax increase, it is reasonable to assume that taxable sales will decrease by approximately $1.84 billion. This will have a direct negative impact on jobs in California. Additional tobacco product taxes, vehicle license fees and higher income tax brackets also act as a brake on the economy, resulting in substantial job losses.

General Fund Revenue Forecast. Softness in the California economy continues to take its toll on state revenues. General Fund revenues are expected to be below the Governor's January Budget by $2.4 billion in 2002-03 and above the Governor's Budget by $1.8 billion in 2003-04. Over the two years, the reduction is approximately $0.6 billion. The main difference between the two years is that the second tobacco securitization bond sale in 2002-03 has been cancelled, while transfers to the General Fund in 2003-04 have increased due to the sale of Pension Obligation Bonds. On balance, the May Revision forecast for the major General Fund revenue sources has not changed significantly from the Governor's Budget forecast released in January, suggesting that the economy may finally have bottomed out. The major taxes, in total, are down $303 million in 2002-03 and up $982 million in 2003-04, for a two-year change of $679 million. The most significant change is the Bank and Corporate tax, which is up $925 million and personal income tax, which is down $934 million over the forecast period. Other significant changes include a reduction in the anticipated revenue from Indian gaming in the budget year, which has been revised downward from $1.5 billion to $680 million. The forecast also assumes an $87 million increase in General Fund sales tax revenue in 2003-04 due to the Public Transportation Account spillover revenue (see Transportation discussion below).

The General Fund revenue estimate includes the following main components:

- **Personal Income Tax (PIT**): The personal income tax forecast has been reduced by $780 million in 2002-03 to $32.1 billion and by $154 million in 2003-04 to $33.4 billion. This weakness is assumed to be primarily due to a sharper decline in capital gains than previously estimated. The lower level of capital gains in 2002 carries forward to 2003, which suppresses 2003-04 revenues. Partially offsetting the negative effect of lower capital gains is the growth in withholding receipts, and the forecast assumes that the recent strength is ongoing.
- **Sales & Use Tax (SUT)**: The sales and use tax forecast has been increased by $96 million in the current year to $22.45 billion and $297 million in the budget year to $23.5 billion. Through April, sales tax receipts are $65 million above the 2003-04 Governor's Budget forecast and this slightly stronger growth is expected to continue as the economy begins to improve. For calendar year 2003, taxable sales are expected to grow by 3.1 percent, and 5.3 percent growth is forecast for 2004. The sales and use tax forecast includes $87 million in 2003-04 due to the excess sales tax revenues on gasoline being credited to the General Fund, rather than transferred to the Public Transportation Account.
- **Bank and Corporate Tax (BCT**): The corporation tax forecast has increased by $212 million in 2002-03 to $6.7 billion and $713 million in 2003-04 to $7.1 billion. This improvement is attributable to a more positive outlook for corporate profits. The forecast anticipates continued improvement in corporate profits after three years of flat or negative growth.

The difference between the January forecast and the May Revision is summarized in table 4.

Table 4

General Fund Revenues

(Dollars in millions)

Fiscal Year 2001-02	**Governor's Budget**	**May Revise**	**Difference**
Personal Income Tax	$33,047	$33,047	**$0**
Sales & Use Tax	21,355	21,355	**0**
Bank & Corporate Tax	5,333	5,333	**0**
Other Revenues and Transfers	12,504	12,528	**24**
Total	**$72,239**	**$72,263**	**$24**
Change from 2000-01	*-$5,814*	*-$5,790*	
% change from 2000-01	-7.4%	-7.4%	
Fiscal Year 2002-03			
Personal Income Tax	$32,880	$32,100	**-$780**
Sales & Use Tax	22,349	22,445	**96**
Bank & Corporate Tax	6,452	6,664	**212**
Other Revenues and Transfers	11,463	9,542	**-$1,921**
Total	**$73,144**	**$70,751**	**-$2,393**
Change from 2001-02	*$905*	*-$1,512*	
% change from 2001-02	1.3%	-2.1%	
Fiscal Year 2003-04			
Personal Income Tax	$33,610	$33,456	**-$154**
Sales & Use Tax	23,210	23,507	**$297**
Bank & Corporate Tax	6,361	7,074	**$713**
Other Revenues and Transfers	5,972	6,897	**$925**
Total	**$69,153**	**$70,934**	**$1,781**
Change from 2002-03	*-$3,991*	*$183*	
% change from 2002-03	-5.5%	0.3%	

Realignment

The May Revision makes significant changes to the Realignment proposal included in the 2003-04 Governor's Budget. By reversing or reducing realignment of several programs, the revised proposal increases General Fund expenditures by $6.4 billion in 2003-04. The tax-related realignment issues are discussed above. Table 5 compares the Governor's January realignment expenditure proposal with the May Revision proposal:

Table 5

Realignment Proposals 2003-04 General Fund Savings (Dollars in Millions)	Jan 10	May Revision	Change
Alcohol and Drug Programs:			
Local Alcohol and Drug Programs	$219	$0	-$219
Drug Courts and State Operations	12	0	-12
Health Services:			
Medi-Cal Benefits Share of Cost	1,620	0	-1,620
Adolescent Family Life Program	14	0	-14
Black Infant Health Program	4	0	-4
Local Health Department Maternal and Child Health	3	0	-3
Expanded Access to Primary Care	24	0	-24
Indian Health Program	7	0	-7
Rural Health Services Development Program and Grants in Aid for Clinics Program	9	0	-9
Seasonal Agricultural and Migratory Workers	7	0	-7
County Health Services Public Health Subvention	1	0	-1
Rural Health Care and Maternal and Child Health State Operations Reductions	2	0	-2
Long-Term Care	1,400	0	-1,400
Mental Health:			
Children's System of Care	20	20	0
Integrated Services for Homeless	55	55	0
Social Services:			
Child Abuse Prevention, Intervention, and Treatment	13	12	-1
Foster Care Grants	460	237	-223
Foster Care Administration	34	11	-23
Child Welfare Services	596	197	-399
Adult Protective Services	61	61	0
CalWORKS Grants	0	782	782
CalWORKS Employment Services and Administration	543	359	-184
Adoption Assistance	217	0	-217
Kin-GAP	19	0	-19
Cash Assistance Program for Immigrants	95	0	-95
Food Stamp Administration	268	0	-268
California Food Assistance Program	15	0	-15
In-Home Supportive Services	1,086	0	-1,086
In-Home Supportive Services Administration	85	0	-85
Education:			
Child Care	968	0	-968
Trial Courts:			
Court Security	300	0	-300
Total	**$8,157**	**$1,734**	**-$6,423**

Please refer to the specific program sections for additional information on the realigned programs.

Fee Increases

The Governor's January Budget proposed to reduce General Fund expenditures by increasing a variety of fees on students, businesses and consumers. The May Revision maintains most of these increases, with the exception of the Community College tuition fee, which has been reduced from $365 million to $214 million. While these increases would provide some relief to the General Fund, they will also tend to make California less attractive for business, especially when coupled with the proposed tax increases and scheduled hikes in workers' compensation and unemployment insurance costs. Table 6 displays the fee increases proposed in the Budget that will result in General Fund savings. It is important to note that the Budget also proposes numerous other fee increases, not shown below, which ***do not*** offset General Fund expenditures.

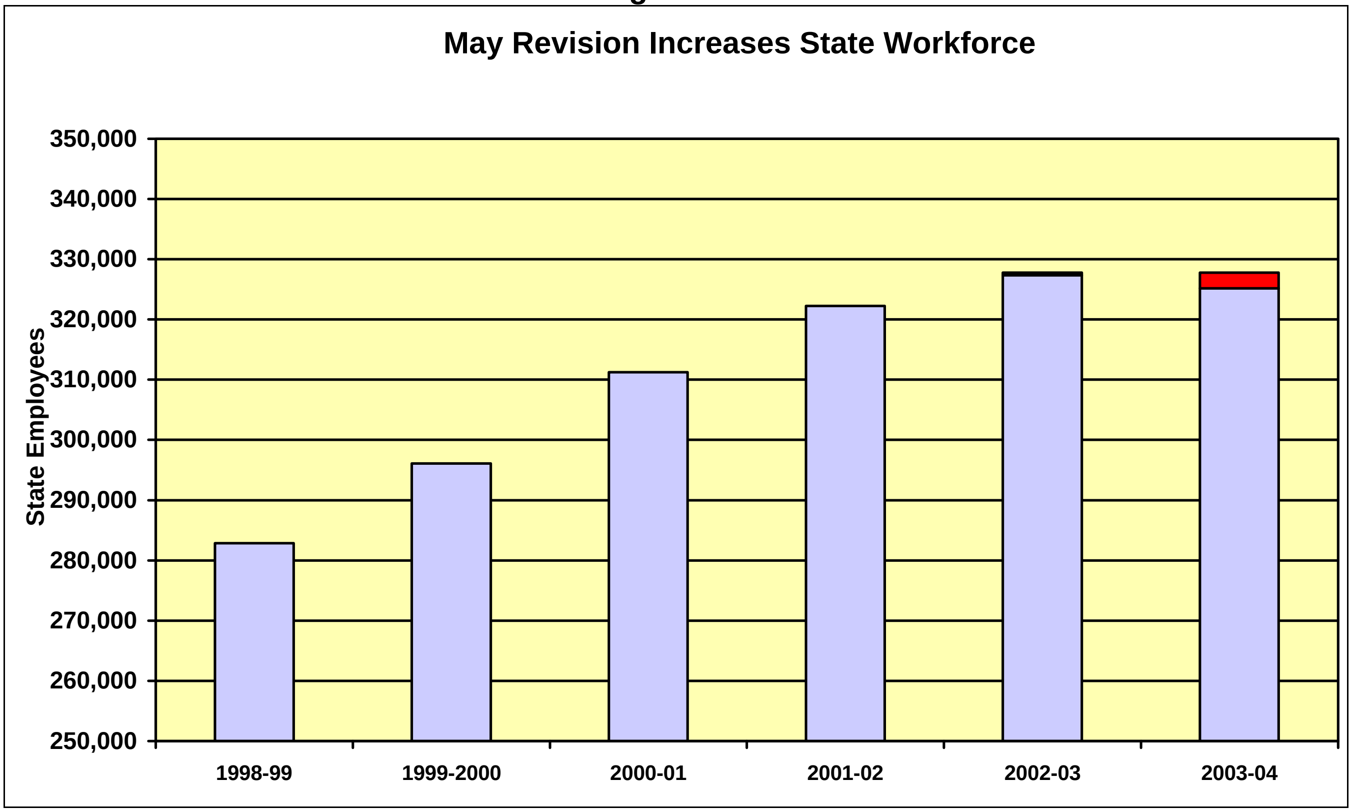
Table 6

Fees Proposed In the May Revision **General Fund Savings** **(Dollars in thousands)**	
Education	
Community college tuition	$214,030
Community college facilities plan fee	240
Subtotal, Education	$214,270
Business	
Air pollution permitting fee	10,000
Pesticide permitting/licensing & examination	8,555
Waste water discharge permitting	13,620
Workers' compensation administration	75,759
Social services licensing (foster care homes, child care facilities, senior care facilities)	6,843
Dam safety fees	7,200
Subtotal, Business	$121,977
Consumer	
Trial court fees (filing motions, security, etc.)	66,200
Appellate filing fee	2,100
HCD employee housing enforcement	721
HCD migrant services	625
Fishing, hunting license	2,000
Park use fees	20,000
California State Library service fee	1,000
Earthquake insurance policy fee	884
Veterans' medical care	1,150
Subtotal, Consumer	$94,680
Grand Total	**$430,927**

State Workforce

At the end of the 1998-99 fiscal year, the state workforce totaled 282,860. Building on the excesses of the previous four years, the May Revision continues to increase the size of government by proposing 2,648 new positions. This increase will bring the revised state workforce level to 327,782 – an increase of 44,922 positions or approximately 15% since Governor Davis assumed office. Figure 3 displays the state workforce from 1998-99 through 2003-04, as proposed in the May Revision.

Figure 3



K-12 Education

Proposition 98 Overview. The May Revision proposes $45.6 billion in Proposition 98 funding for K-12 schools and community colleges for 2003-04. This represents a $1.5 billion increase over the amount proposed in January, and is driven by an increase in average daily attendance, an increase in the estimate of 2003-04 General Fund Revenues (as compared to the estimate in January), and an increase in the prior-year base for the Proposition 98 calculation. The total Proposition 98 General Fund minimum guarantee for the remainder of 2002-03 as proposed in the Governor's Budget is $122.3 million higher than required to meet the requirements of the Proposition 98 funding guarantee. This means that the current-year budget for education is $122.3 million ***higher*** than required. Since the level of Proposition 98 General Fund provided in a given year is derived using the prior-year base funding, this current-year over-appropriation will result in $122.3 million in additional annual General Fund costs for 2003-04 and beyond, and a two-year cost of $244.6 million.

The May Revision increases total funding for K-12 education (from all sources) from $54.5 billion in 2002-03 to $55.5 billion in 2003-04. This equates to a 1.8 percent year-over-year increase. Of this amount, the May Revision provides $272 million in new funds for Proposition 98 average daily attendance (ADA) growth at a rate of 1.34 percent. Proposition 98 per pupil funding will increase 3.5 percent from the $6,638 in 2002-03, to $6,869 in 2003-04. However, a considerable portion of this growth can be attributed to the return of $879 million in General Fund to the Proposition 98 Guarantee as a result of the rejection of the Governor's proposal to realign Child Care. (This funding was previously to be provided outside the Proposition 98 per pupil funding rate.)

K-12 Program Funding Augmentations. The May Revision provides an additional $179.7 million for Class Size Reduction, an additional $65.3 million for accountability programs, and an additional $27.8

million in General Fund to ensure the level of state special education spending is the same as the amount provided in the current year, consistent with federal maintenance-of-effort requirements.

May Revision Continues Deferral Indefinitely. The May Revision proposes to continue a $1.16 billion deferral in education funding from 2003-04 into 2004-05. In an effort to ensure that federal special education maintenance of effort requirements are adhered to, the Administration has swapped a deferral of special education funding for deferrals in School Safety, Targeted Instruction Improvement Grants (desegregation), and Home to School Transportation funding. Although the Administration has indicated an intention to ensure the deferral is not indefinite, it has not specified when the deferral will be repaid, effectively continuing the obligation to repay (versus reduce expenditures) indefinitely.

May Revision Abandons Across-the-Board Cuts in favor of "Targeted Reductions." The May Revision no longer contains the across-the-board reductions proposed in January, instead making up most of the reductions with "targeted reductions" that either reduce or eliminate funding for "lower priority categorical programs." Table 7 displays the major programs proposed for reduction in the May Revision.

Table 7

Major Targeted Reductions in K-12 General Fund Savings

(Dollars in millions)

Equalization	$250
Deferred Maintenance	129
Defer Mandates	125
Teaching as a Priority	89
Summer School	85
Supplemental Grants	80
Instructional Materials	76
School Improvement	42
Elementary Intensive Reading	31
Miller-Unruh Reading	29
Peer Assistance and Review	25
Total	**$961**

As is evident in the table, Equalization funding was the top categorical program reduction proposed by the Administration. This reduction is directly contrary to the September 30, 2002 Governor's signing message contained in legislation that memorialized his commitment to funding equalization (AB 2781), in which he stated "let me be clear, I am fully committed to full funding for equalization in the 2003-04 Budget Year." Apparently being fully committed to an action does not mean carrying it out.

The targeted reductions proposed above would result in a 30-percent reduction in funding for instructional materials and a 33-percent reduction in funding proposed for supplemental grants. Combined with an additional $13 million unallocated reduction in General Fund for testing programs, these proposed reductions show a lack of commitment to fund programs important to districts and classroom instruction. Indeed, it is strikingly unclear how these programs, which are directly related to the provision and evaluation of classroom instruction and student services, have eluded inclusion as some of the "Education Governor's" funding priorities.

K-12 Basic Aid District Funding Reduction. The May Revision modifies the original Governor's Budget proposal to offset the General Fund with $126.2 million in basic aid by reducing the offset to $20 million. The proposal will achieve this reduction by modifying the amount of state categorical funding that would otherwise be provided to Basic Aid districts. The Administration reports that this will result in an overall reduction of 4.5 percent for Basic Aid districts, and that this reduction is consistent with the overall level of reduction required of non-Basic Aid districts. However, given the additional reductions in selected categorical programs, this reduction could result in Basic Aid districts realizing larger reductions than those presented to non-Basic Aid districts. Given that Basic Aid school districts already draw significantly less General Fund from the state than non-Basic Aid districts, it is unclear why it would be either reasonable or appropriate to reduce their funding at a rate that exceeds non-Basic Aid districts.

K-12 Special Education Mental Health Services. The May Revision proposes $69 million in federal funds to provide mental health services for special education pupils. These services have traditionally been funded through the state mandate process in the Department of Mental Health budget. The Governor's Budget proposed in January would have deferred funding for these services, currently estimated at over $120 million annually.

The California State Library - Further Reductions for Local Government. The May Revision decimates the Public Library Fund (PLF), reducing program funding for 2003-04 from $15.7 million to $1 million. PLF provides grants to local libraries to help them serve their communities. When combined with the program reduction proposed in the Governor's January Budget for 2003-04, the year-over-year reduction for this program will be $30.5 million (a 97-percent reduction). When compared to the other education related programs that were spared any reduction, it is unclear why this program, which provides considerable benefit to local communities, was targeted for such a significant reduction.

Child Care. The May Revision proposes $2.4 billion total funds in 2003-04 for state-subsidized child care, a net increase of $1.9 billion from the Governor's Budget. Major adjustments include:

- An augmentation of $968 million General Fund to reverse realignment.
- An augmentation of $48.3 million TANF due to increased CalWORKS Stage 2 caseload.
- An augmentation of $14.3 million General Fund to reverse the After School Safety and Education Program reduction. This reduction was part of the across-the-board education reductions proposed in the Governor's Budget.
- A reduction of $16 million General Fund by limiting child care services to children under 13 years of age and eliminating services to families who earn above current income limits for subsidized child care.
- A reduction of $167 million General Fund by lowering provider rate limits.
- A reduction of $33 million General Fund by charging user fees for families not on cash aid.
- A reduction of $39 million General Fund due to decreased CalWORKS Stage 3 ($35 million) and State Preschool caseload ($4 million).
- A one-time reduction of $116 million General Fund by using available federal funds, CalWORKS carryover funding, and TANF funds.

Higher Education

The May Revision proposed minor changes to the proposed budgets for the University of California and the California State University.

University of California

The May Revision proposes to ***increase*** the University of California's General Fund by $1.5 million to backfill student fee revenue losses resulting from anticipated enactment of legislation in the 2003-04 Regular Session that would offer fee waivers for California National Guard members.

California State University

The May Revision proposes to reduce the California State University's (CSU) budget by $6 million. This reduction is the result of elimination of a $7.5 million inadvertent prorata charge to the CSU, and an augmentation of $1.5 million to backfill student fee revenue losses resulting from anticipated enactment of legislation in the 2003-04 Regular Session that would offer fee waivers for California National Guard members.

Student Aid Commission

Consolidation of the California Student Aid Commission and the California Postsecondary Education Commission. The May Revision proposes to consolidate the activities of the California Postsecondary Education Commission (CPEC) with those of the California Student Aid Commission (CSAC) pursuant to separate legislation. While this consolidation will likely result in long term savings, the Administration has proposed $800,000 in one-time funding for costs associated with the consolidation.

Community Colleges

The May Revision includes $2.2 billion General Fund in 2003-04 for community colleges, a net increase of $304.1 million from the Governor's January 10 proposal. Major adjustments include:

- An augmentation of $154.7 million General Fund to reduce the proposed student fee increase. The Governor's Budget proposed an increase from $11 per unit to $24 per unit. The May Revision proposes a revised increase from $11 per unit to $18 per unit.
- An augmentation of $66.6 million General Fund to restore across-the-board reductions to apportionments.
- An augmentation of $4.4 million General Fund for growth.
- An augmentation of $55 million General Fund to reduce the proposed elimination of concurrent enrollment fraud.
- An augmentation of $27.8 million General Fund to restore reductions to some categorical programs, including the Extended Opportunity Programs and Services and Disabled Students Programs and Services.

Health

Medi-Cal, Public Health, and Healthy Families

Medi-Cal. The May Revision includes total Medi-Cal expenditures of $27.2 billion ($9.8 billion General Fund). General Fund spending will increase $2.8 billion over the Governor's Budget released in January. This increase is primarily due to scaling back the Administration's Realignment proposal, restoration of the 1931(b) Program, and the increased cost and use of Medi-Cal services. The Medi-Cal caseload is expected to increase in 2003-04 by 2.3 percent to 6,412,800 eligibles.

- **Optional Benefits.** The May Revision restores four of the 18 optional benefits that the Governor proposed eliminating in his January Budget. These include Non-Emergency Transportation, Hospice, Prosthetics, and Orthotics. The Administration has reinterpreted federal law and now classifies Non-Emergency Transportation and Hospice as mandated services. The May Revision projects budget-year savings of only $419.4 million ($209.7 million General Fund) as compared with the January proposal that scored savings of $723.7 million ($361.8 million General Fund). This includes $35 million ($17.5 million General Fund) in Medi-Cal Managed Care savings from the elimination of some optional benefits. It should be noted that the May Revision recognizes that the

Department of Developmental Services must provide all Medi-Cal services (mandated and optional) to its clients under the entitlement of the Lanterman Act, which explains part of the reduction in the savings estimate. Table 8 displays the optional benefits that are proposed to be eliminated (effective October 1, 2003) and the projected General Fund savings for fee-for-service Medi-Cal for each in the budget year.

Table 8

Optional Benefits to be Eliminated General Fund Savings	
(Dollars in millions)	
Adult Dental Services (except for pregnant women)	$129.1
Medical Supplies	20.7
Podiatry	2.0
Acupuncture	3.7
Chiropractic Services	.3
Psychology	.4
Independent Rehabilitation Centers	.02
Occupational Therapy	.09
Optician/Optical Lab Services	6.5
Durable Medical Equipment	19.1
Optometry	2.0
Hearing Aids	5.8
Speech/Audiology Services	2.3
Physical Therapy	.1
Total General Fund Savings	**$192.2**

- **Provider Rate Cuts.** The May Revision continues to propose a 15-percent provider rate reduction effective October 1, 2003, for budget-year savings of $814.1 million ($404.3 million General Fund). These reductions will affect physicians, pharmacy, nursing facilities, intermediate care facilities, home health, dental, EPSDT, medical transportation, and various other services. The May Revision includes $119.6 million ($59.8 million General Fund) to provide a 3.8 percent rate increase to nursing homes because California's state plan requires that long-term care rate adjustments be based on facility cost reports. After the 3.8-percent rate increase is applied, these facilities will be subject to the 15-percent provider rate reduction (for a net reduction of 11.77 percent). The Governor's budget proposal exempts inpatient and outpatient services, federally qualified health clinics, and rural health clinics from these reductions. It is important to note that Republican legislators have worked hard over the past several years to improve access to health care for those covered under government health insurance programs by supporting higher Medi-Cal reimbursement rates in an effort to gain and retain medical services providers.

- **Program Restorations.** The May Revision proposes to restore funding to support the continued expansion of the 1931(b) Program and to rescind implementation of the 100-hour work rule. This will increase costs in the budget year by $107.4 million ($53.7 million General Fund). The Budget Act of 1999 expanded eligibility for the Section 1931(b) Medi-Cal Program to families with incomes up to 100 percent of the federal poverty level, regardless of how many hours the principal wage earner worked each month. In the current year, it is estimated that over 650,000 parents on the Section 1931(b) Program do not meet the unemployment requirement in place prior to the expansion.

- **New Anti-Fraud Initiative.** The May Revision proposes an additional 315 state staff positions at a cost of $27 million ($10.7 million General Fund) to perform additional Medi-Cal anti-fraud activities.

This initiative is projected to save only $23 million General Fund in the budget year. Although savings are estimated to be higher in the next year, the May Revision clearly states that even more funding for state staff will be needed in the out-years to continue this initiative. Despite the fact that the Legislature approved more than 260 new positions over the last several years for the Department of Health Services to pursue a comprehensive anti-fraud effort, the level of projected savings and cost avoidance has never materialized. In January 2003, the Department of Health Services submitted a deficiency request for the current year that included $100 million General Fund because they had been unable to realize the level of savings budgeted. Now, in the May Revision, even more resources are being requested. If history repeats itself, we can expect another huge General Fund deficiency next year.

- **Realignment.** The May Revision rescinds the Medi-Cal portion of the Realignment package proposed by the Governor in January. The Governor's Budget proposed that counties assume 15 percent of the nonfederal costs for Medi-Cal services. Currently, these costs are shared almost equally by the state and federal governments with no county financial participation. In addition, the Budget proposed to shift the cost of nursing home stays under the Medi-Cal Long-Term Care Benefit to the counties. These two proposals would have increased the annual costs to counties by over $3 billion.

- **Program Expansions – Continued Funding.** Despite the huge fiscal crisis that California faces, the May Revision continues to propose funding to expand the Medi-Cal entitlement to additional children. The May Revision includes $486.6 million ($243.3 General Fund) to provide 12 months of Continuous Eligibility for 471,500 children. The May Revision also includes $8.3 million ($4.2 million General Fund) to fund Accelerated Enrollment through the Single Point-of-Entry, which will entitle 51,304 children to two months of fee-for-service, full-scope, no-cost Medi-Cal on a presumptive eligibility basis. It is estimated that these children will subsequently be determined ineligible. The May Revision further proposes $74.5 million ($35.8 million General Fund) to have the Child Health Disability Prevention (CHDP) Program serve as a Gateway for enrolling children into either the Healthy Families Program or Medi-Cal. The CHDP Gateway effort will be facilitated by two additional Express Lane Eligibility program expansions: (1) 3,905 children receiving free school lunches will automatically be enrolled in Medi-Cal, at a budget-year cost of $3.5 million ($1.7 General Fund); and (2) 5,967 parents and children who receive food stamps will be provided with enrollment materials for Medi-Cal and the Healthy Families Program, for a budget-year cost of $7.7 million ($3.9 million General Fund).

- **Quarterly Status Report.** The May Revision continues to propose reinstatement of the Quarterly Status Report; however, implementation would be delayed until October 2003. This proposal will result in budget-year savings of $77.7 million ($38.9 million General Fund). Legislation was recently passed (SB 1X 26) that implemented a semi-annual status report effective August 1, 2003; however, the May Revision assumes the semi-annual report will not generate any savings because of potential loopholes in the statute. It may be necessary to clarify and strengthen this statute in order to achieve any savings in the budget year, regardless of whether a semi-annual or quarterly status report requirement is ultimately adopted.

- **Quality Improvement Assessment Fee.** The May Revision proposes to assess Managed Care Plans a 6-percent Quality Improvement Assessment fee based on their gross annual receipts (Medi-Cal line-of-business only) effective January 2004. This fee is quite different than other fee increases proposed by the Governor in that, after the state withholds 25 percent, it will be used to draw down matching federal funds and will be returned to these providers in the form of a rate increase. The fee is expected to generate $150 million in revenue in the budget year. The state will withhold $37.5 million, most of which will be deposited into the General Fund. With federal matching funds, the net increase in funding to managed care plans will be $75 million. This same type of fee transaction will also apply to Intermediate Care Facilities for the Developmentally Disabled (ICF-DDs) effective October 1, 2003, and will generate General Fund savings in the budget year of $14.6 million. This intergovernmental transaction will help offset the 15-percent rate reduction that is proposed for these facilities along with other Medi-Cal providers.

- **Moratorium on Adult Day Health Centers.** The May Revision proposes a 12-month moratorium on the certification of new adult day health centers effective October 1, 2003. In addition, it proposes to "unbundle" the existing daily rate and require prior authorization for therapy and transportation services. This combination of changes will result in budget-year savings of $19.7 million ($9.85 million General Fund). The May Revision proposal does not provide any exemptions to this moratorium for applicants whose certification is pending and who may have made a significant financial investment on the assumption certification would be approved.

- **Accounting Change.** The May Revision includes one-time General Fund savings of $930 million to reflect a change in accounting methodology from an accrual basis to a cash basis. This is consistent with the Senate Republican Budget Plan.

- **Drug Rebates and Cost Controls.** The May Revision includes a number of proposals to lower the cost of the Medi-Cal Program. These include: (1) imposing a per-beneficiary cap on laboratory services, for savings of $8.2 million ($4.5 million General Fund); (2) reducing the reimbursement for durable medical equipment, for savings of $3.1 million ($1.6 million General Fund); (3) changing the reimbursement methodology for anti-hemophiliac blood factors, for savings of $2.5 million ($1.2 million General Fund); (4) reducing pharmacy expenditures through provider education, for savings of $1.4 million ($756,000 General Fund); and, (5) including and capitating HIV/AIDS drugs with the managed care program, for savings of $218,000 ($109,000 General Fund).

- **Civil Service Expansion (Nurses).** The May Revision proposes to convert contract nurse positions to 73 new state civil service positions. Contract nurses were authorized by the Budget Act of 2002 to review treatment authorization requests and expand medical case management activities.

- **Encourage Managed Care for the Aged, Blind, and Disabled.** The May Revision proposes increased expenditures of $1.3 million ($630,000 General Fund) to produce informational material that will encourage voluntary enrollment of these individuals into managed care. This proposal would result in no budget-year savings, but would save $4.8 million ($2.4 million General Fund) in 2004-05.

- **Disease Management.** The May Revision requests an increase of $756,000 ($279,000 General Fund) and seven new staff positions to design and implement a Disease Management Program for Medi-Cal recipients. This new program is not expected to result in any savings during the budget year.

Public Health. The May Revision includes a number of augmentations in the public health area. For caseload-driven programs, such as California Children's Services (CCS), Child Health and Disability Prevention (CHDP), and the Genetically Handicapped Persons Program (GHPP), the May Revision proposes an increase of $59.9 million General Fund, which is a 58.8-percent increase over the Governor's Budget released in January.

- **Co-Payments for the AIDS Drug Assistance Program (ADAP).** Funding for the ADAP has increased 62.8 percent since the Budget Act of 1999. ADAP serves about 26,000 clients, and individuals earning less than $50,000 per year are eligible to receive a full range of drug therapies. The May Revision proposes total funding of $195 million for the budget year, which is an increase of $8.2 million over the Governor's January Budget. The May Revision proposes to reduce co-payments from $30, $45, and $50 per prescription, as originally proposed in the January Budget, to $5, $10, and $15. ADAP clients would make co-payments for each prescription based on their annual income, and co-payments would not be required for those with incomes at or below 200 percent of the federal poverty level.

- **Public Health Response Team.** The May Revision includes $90.3 million ($3.9 million General Fund) in new funding and 96 new state staff positions to establish a statewide public health response team to address new pathogens and sudden disease outbreaks such as Severe Acute Respiratory Syndrome (SARS), West Nile Virus, and Hepatitis C. Federal funds will be used for anti-bioterrorism activities and for the production of Botulism Immune Globulin. The May Revision requests the continuation of 76 limited term staff positions for another two years.

- **Realignment.** The May Revision restores $146.7 million ($68.5 million General Fund) and 49.3 state staff positions for a variety of public health programs that were proposed to be realigned to the counties in the Governor's January Realignment package. The May Revision proposes budget-year General Fund reductions for two of these programs: (1) Expanded Access to Primary Care (EAPC), $2.35 million; and, (2) Adolescent Family Life Program (AFLP), $1.62 million.

Healthy Families Program. The May Revision proposes to use $173.4 million in Tobacco Settlement Funds to backfill General Fund. The May Revision reflects that only $2.5 billion in tobacco-securitized bonds were sold in 2002-03; therefore, not all annual revenue to California is needed for bond payments. The May Revision projects budget-year expenditures of $794.5 million ($294.3 million state funds) for the Healthy Families Program, which should enroll 727,000 children by June 30, 2004. Since this program was implemented in 1998-99, expenditures have grown 1,786 percent, and it continues to be funded as though it were an entitlement.

Mental Health

- **AB 3632.** The May Revision provides $69 million (federal funds) to reimburse counties for the AB 3632 state mandate, which is estimated to cost in excess of $120 million in the budget year. Federal law entitles children to a "free and appropriate" education. The courts have determined that this includes "special education" services. When a child's Individualized Education Plan (IEP) includes mental health services, such services must be provided. AB 3632 (W. Brown, 1984) transferred the responsibility for these services from the State Department of Education (SDE) to the Department of Mental Health (DMH) and imposed a number of specific state mandates. The May Revision budgets the $69 million federal funds for AB 3632 in the SDE budget. It is unclear if trailer bill language will be proposed to transfer responsibility for these services back to the SDE or if SDE will provide funding as a reimbursement to DMH.

- **Sexually Violent Predators (SVPs).** The May Revision proposes a General Fund increase of $4 million to fund additional SVP evaluations by private contractors and increased costs for community treatment programs. Trailer bill language is proposed to enhance the sentence for conviction of a felony committed by SVPs while under supervision and treatment in a conditional release program. Such releases will also be restricted to SVP patients who do not require extraordinary measures of supervision and treatment to prevent further sexually violent behavior.

- **Realignment.** The May Revision continues to propose the realignment to the counties of the Children's System of Care and the Integrated Services for the Homeless Programs, for General Fund savings of $20 million and $55 million respectively. These programs would be supported with a dedicated revenue stream resulting from new taxes.

Developmental Disabilities

- **Loss of Title XX Federal Funds.** The May Revision proposes a General Fund increase of $36 million in the current year and $99.8 million in the budget year because the Department of Social Services can no longer transfer federal Title XX welfare reform (TANF) funds to the Department of

Developmental Services (DDS) for Regional Center clients. Federal law requires these funds to be used to provide services to those with annual incomes at or below 200 percent of the federal poverty level. DDS does not collect income data because its services are an entitlement regardless of income and resources; therefore, there is no way to ensure the federal funds are used for lower-income populations. This situation could change in the future if DDS is authorized to charge parents a co-payment for Regional Center services.

- **Parental Co-Payment.** The May Revision assumes a decrease in projected General Fund revenues of $14.7 million, as compared to the January Budget, for the proposed parental co-payment due to delayed implementation of the proposal. The Legislature did not approve the state staff requested for the current year to develop the co-payment system; therefore, General Fund revenues in the budget year will be about half of the original projection. Parents whose children between the ages of three to seventeen who live at home with them will be asked to make a co-payment for services provided through the Regional Center system. This will affect families earning more than 200 percent of the federal poverty level. The Department of Developmental Services will spend $1.8 million and add 23.6 new staff positions to implement this program. The other significant policy change is the Administration's proposal to redefine the state's definition of "substantial disability" so that it aligns with the federal eligibility definition. Persons currently eligible for services would continue to receive services; however, the new definition would be applied prospectively and is expected to generate $2.1 million in General Fund savings in the budget year because fewer persons would qualify for services in the future. However, there are a number of complex issues that must be resolved before any co-payments can be imposed.

- **Implementation of Statewide Standards.** The May Revision includes a General Fund increase of $30.7 million to reflect the delayed implementation of statewide standards for the purchase of services. The January Budget had assumed $100 million in General Fund savings. The Administration has not submitted any proposals that would reduce or eliminate the Lanterman entitlement.

- **South Central Los Angeles Regional Center Still Not Certified.** The May Revision proposes a General Fund augmentation of $4.9 million to backfill for a loss of federal funds because South Central Los Angeles Regional Center still has not received federal certification under the Home and Community-Based Services Waiver. This regional center is currently under investigation by the California Department of Justice, and it is unclear how this will affect future efforts to obtain certification and federal financial participation.

Human Services

Department of Alcohol and Drug Programs. The May Revision includes $233.2 million General Fund in 2003-04 for alcohol and drug prevention and treatment programs, a net increase of $227.5 million from the Governor's Jan 10 proposal. Major adjustments include:

- An augmentation of $230.3 million General Fund to reverse realignment.
- An augmentation of $3 million General Fund to restore funding for the Drug Court Partnership Program. This restoration of funding was contingent on courts saving money through avoidance of prison days. Consequently, courts avoided 80,000 days and saved $10.8 million.
- A reduction of $11.5 million to discretionary alcohol and other drug programs, excluding perinatal services.

Department of Rehabilitation. The May Revision proposes $148.9 million General Fund in 2003-04 for rehabilitation services, a net increase of $105.8 million from the Governor's Budget. Major adjustments include an augmentation of $116.9 million General Fund to delay transfer, until July 1, 2004, of the Habilitation Services Program to the Department of Developmental Services.

Department of Community Services Development. The May Revision includes $78 million total funds in 2003-04 for the department, a net increase of $78 million from the Governor's Jan 10 proposal. Major budget adjustments include an augmentation of $77.6 million non-General Fund and 56.6 positions to delay consolidation, until January 1, 2004, with the Department of Social Services.

Department of Child Support Services. The May Revision proposes $471 million General Fund in 2003-04 for child support services, a net increase of $653,000 from the Governor's Budget. Major budget adjustments include:

- An augmentation of $1.5 million General Fund to fund the increased Alternative Federal Penalty. The state must pay the penalty because of its failure to implement an automated child support system. The Governor's Budget estimated a 2003-04 penalty of $207 million General Fund.
- A reduction of $1.8 million General Fund due to increased federal performance incentive funding.

CalWORKS. The May Revision includes $7 billion total funds in 2003-04 for welfare-to-work services, a net increase $200 million from the Governor's Jan 10 proposal. Major adjustments include:

- An augmentation of $65.7 million TANF to restore the proposed grant reduction.
- An augmentation of $184 million General Fund due to revising realignment cost-sharing ratios for Employment Services and Administration. Even though the May Revision maintains realignment for these programs, it proposes to shift 30 percent of costs to counties.
- An augmentation of $74.3 million TANF to increase the reserve to $331.6 million for unanticipated CalWORKS program needs.
- A reduction of $782.3 million General Fund to include Assistance Payments in the revised realignment proposal. The May Revision proposes to shift 27.5 percent of costs to counties. Counties currently share 2.5 percent and the proposal would increase the total share to 30 percent.
- A reduction of $84.6 million General Fund from employment services to help fund the restored grant reduction.
- A reduction of $307.3 million General Fund due to decreased caseload for grant payments.
- A reduction of $27.4 million General Fund due to decreased Stage 1 child care caseload. The caseload decline primarily results from child care reforms (reductions) described in the Child Care section of this document.
- A reduction of $57 million General Fund by counting general child care expenditures toward the maintenance-of-effort requirement.

Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program. The May Revision proposes $3 billion General Fund in 2003-04 for SSI/SSP, a net increase of $674.6 million from the Governor's Budget. Major adjustments include:

- An augmentation of $441.6 million General Fund to restore the proposed grant reduction. The May Revision maintains the proposal to suspend the June 2003 and January 2004 state cost-of-living adjustments.
- An augmentation of $12.2 million General Fund due to increased caseload and higher cost per case. The higher cost per case reflects the higher grant amount from restoring the grant reduction.

In-Home Supportive Services. The May Revision includes $1.2 billion General Fund, a net increase of $1.2 billion from the Governor's Jan 10 proposal. Major adjustments include:

- An augmentation of $1.2 billion General Fund to reverse realignment.
- An augmentation of $46.7 million General Fund due to increased caseload, higher provider wages, and increased service hours in Los Angeles County.
- A reduction of $19 million by using increased federal funding.

Foster Care. The May Revision proposes $790.4 million General Fund, a net increase of $259.5 million from the Governor's Budget. Major adjustments include:

- An augmentation of $246 million General Fund due to revising realignment cost-sharing ratios for grants and administration. Even though the May Revision maintains realignment for these programs, it proposes to shift 80 percent of grants costs and 50 percent of administration costs to counties.
- An augmentation of $13.4 million General Fund due to increased Group Home grant costs, decreased federally-eligible children in Foster Family Homes, and increased overall caseload.

Child Welfare Services. The May Revision includes more than $400 million General Fund for child welfare services, a net increase of approximately $400 million from the Governor's Jan 10 proposal. Major adjustments include:

- An augmentation of $398.9 million General Fund due to revising realignment cost-sharing ratios. Even though the May Revision maintains realignment for this program, it proposes to shift 50 percent of costs to counties.
- A reduction of $26 million General Fund by using available TANF funds.

Child Abuse Prevention, Intervention and Treatment Program. The May Revision includes $3 million General Fund for the program, a net increase of $1 million from the Governor's Budget. Major adjustments include an increase of $1 million General Fund due to revising realignment for the program. Even the May Revision maintains realignment for this program, it proposes to retain spending authority to develop child-centered approaches to prevent child abuse and neglect. Under current law, the state transfers General Fund to the State Children's Trust Fund for this purpose.

Adult Protective Services. The May Revision maintains a reduction of $61 million General Fund, as proposed in the Governor's Budget, due to realignment of this program.

Transportation

In February, Senate Republicans proposed a plan to balance the state budget without tax or fee increases, and safeguard transportation investments. Specifically, the plan required that funds loaned from the Traffic Congestion Relief Fund (TCRF) or suspended from Proposition 42 requirements be repaid at a later date. The May Revision proposal adopts the Senate Republican budget plan with a slight modification in Proposition 42 funding. These and select transportation proposals are discussed below.

Proposition 42. The May Revision proposes to suspend $938 million, rather than the entire $1.1 billion proposed in January, and retain the money in the General Fund to be used for non-transportation purposes. The General Fund is required to repay this amount by June 30, 2009. The remaining $207 million will provide nominal funding for Traffic Congestion Relief Program (TCRP) projects that are currently in the construction phase and have high termination costs, as identified by the California Transportation Commission.

Enacted by the voters in the March 2002 election, Proposition 42 would dedicate sales tax on gasoline to funding of transportation projects. Republicans have argued that taxes imposed on gasoline sales ought to be dedicated to transportation projects to alleviate traffic congestion and repair streets and roads. The Legislative Analyst reports that Californians already spend over 530,000 hours a day in traffic at a daily cost of $12.8 million in wasted time and fuel. Requiring repayment will ensure that funds approved by the voters for transportation projects will be used for that purpose, and not to finance the state's deficit.

Loan from the Traffic Congestion Relief Fund. The May Revision proposes to defer repayment of the $500 million loan to the General Fund, rather than forgive the loan as proposed in January. Between the last two years, the General Fund has borrowed $1.283 billion from the TCRP, with repayments scheduled over a three-year period. The first of these repayments is due on July 1, 2003, but will now be deferred until 2006-07.

Public Transportation Account (PTA) "spill-over" funds. The May Revision proposes to eliminate an $87-million transfer to the PTA and retain this amount in the General Fund for non-transportation purposes. Current law contains an arcane formula that requires the General Fund to transfer sales tax revenues to the PTA under specified conditions. This transfer is often triggered during periods of high gasoline prices and is used to fund rail and mass transit projects. The May Revision proposal does not set a precedent – similar proposals have been adopted in the past.

High Speed Rail Authority. The May Revision proposes to reverse the consolidation of the Authority with Caltrans, for an increase in special fund expenditure of $2 million.

Fee increases on motorists. The May Revision maintains fee increases proposed in January for the Motor Vehicle Account, or MVA. This Account provides funding for support of the California Highway Patrol and the Department of Motor Vehicles. Over the years, depressed MVA fee collections and escalating retirement costs have resulted in a variety of fee increases on California motorists. Last year, fees were increased by $76 million for the 2002-03 fiscal year and $98 million for the 2003-04 fiscal year for late vehicle registration, DUI suspension appeals, driver information requests, and driving tests. Again this year, the Budget proposes to increase fees, which are expected to generate $163 million in additional revenues in 2003-04 and $333 million in 2004-05. The increases are identified in Table 9 below.

Table 9

Motor Vehicle Account Fee Increases	
(Dollars in millions)	
Annual vehicle registration base fee	$41
Vehicle registration surcharge	54
Non-commercial driver's license fee	30
Identification card issuance charge	9
Penalties for failure to file title documents	11
Business Partner Automation fee	2
Various DMV fees	16
Total Fee Increases	**$163**

Resources, Environment and Energy

Proposition 50. The May Revision proposes $1.11 billion from Proposition 50 funds for fiscal year 2003-04, which is slightly higher than the amount proposed in January. The funds are proposed for local grants as well as state water-related activities. Combined with current-year expenditures and state administration costs, this leaves approximately $2.07 billion of the $3.44 billion remaining for appropriation in subsequent years.

Regulatory fee increases on businesses. The May Revision maintains environmental regulation fee increases proposed in January. To help close the deficit, the Budget proposes to reduce General Fund expenditures by increasing a variety of regulatory fees on businesses. While these increases would provide some relief to the General Fund, these fee increases, coupled with other tax increases and hikes in workers' compensation and unemployment insurance costs, tend to make California less and less attractive for businesses. The fee increases are as follows:

- $10 million fee increase on stationary sources of air pollution;
- $13.6 million fee increase on waste discharge;
- $7.5 million fee increase on mill assessment on the sale of pesticides; and
- $1.1 million fee increase on pesticide regulation licensing and examination.

Department of Forestry and Fire Protection. The May Revision proposes to reverse the January proposal to close two airbases located in Porterville and Ukiah. This action would increase General Fund expenditures by $795,000.

Department of Water Resources dam safety fees. The May Revision proposes to establish a new fee on dam owners estimated at $7.2 million. These fees will be used in lieu of General Fund to support activities related to the inspection and structural assessment of dams.

Department of Fish and Game. The May Revision maintains the proposed fee increase of $2 million for fishing and hunting licenses.

Department of Parks and Recreation. The May Revision maintains the proposed park use fee increase of $20 million.

Energy funds loaned to the General Fund. The May Revision proposes to borrow from various energy funds to help close the General Fund deficit. These loans will provide some relief to the General Fund for the time being. However, in the future, ratepayer surcharges that fund these accounts should be reduced commensurate with reduced program functions. The specific loans are as follows:

- $136 million from the California Teleconnect Fund – These funds are used to provide discounts on telecommunications services to qualifying schools, libraries, community-based organizations, etc. The Governor indicates that the program has been underutilized and this loan will have no programmatic impact.
- $20 million loan from the Public Interest, Research, Development and Demonstration Fund – These funds provide grants to public and private entities for research and development of various energy resources and integration.

Justice/Judiciary & Public Safety

Department of Justice. The May Revision proposes a current-year General Fund augmentation of $750,000 for unanticipated legal expert witness costs to continue litigation in the Stringfellow toxic dump site matter as a result of new toxic findings at the site.

In addition, the May Revision proposes the following General Fund augmentations:

- $3.7 million and 30 positions to fund workload increases in the Appeals, Writs, and Trials Section of the Criminal Law Division,
- $3.5 million to reverse a January Budget proposal that would have charged local law enforcement a fee for the use of State Crime Lab Facilities,
- $3.2 million to reverse a January Budget proposal that would have eliminated local assistance grants to counties to assist in the prosecution domestic violence cases,
- $261,000 and 3 positions to assist with compliant monitoring, enforcement, and database management for the federal “Do Not Call” program.

State Trial Court Funding. The May Revision proposes to reverse the Court Security portion of the January Realignment Proposal. As a result, General Fund support for the Trial Courts is increased by $300 million. This amount includes $267 million for base funding and $33 million for increased security costs. In addition, the May Revision proposes the following General Fund augmentations and loans:

- $5.5 million for increased statewide trial court retirement costs,
- $5.5 million for increased trial court workers’ compensation costs,
- $3.6 million for increased court security costs,
- $3 million to fund process service provisions of Chapter 1009, Statutes of 2002,
- $80 million loan from the State Court Facilities Construction Fund to the Trial Court Trust Fund, with a corresponding reduction in General Fund support and provisions requiring the General Fund to repay the loan in future years.

Department of Corrections. The May Revision includes a current-year General Fund augmentation of approximately $115 million for continued structural budget deficiencies. In addition, the May Revision includes additional General Fund support of approximately $59 million for unrealized savings in the current year. These costs are offset by approximately $35 million in proposed savings, for a net General Fund increase of $24 million in the budget year.

Commission on Peace Officers’ Standards and Training. The May Revision proposes an augmentation of $25.5 million to the Peace Officers’ Training Fund in order to provide partial reimbursement to local law enforcement for their training costs. This reimbursement was proposed for elimination in the January Budget.

State Criminal Alien Assistance Program (SCAAP) Funds. Notwithstanding the fact that the federal State Criminal Alien Assistance Program has expired, the May Revision continues to assume that the State will receive $310 million in federal funds for the costs of incarcerating undocumented immigrants in the current and budget years. Should these funds fail to materialize, the May Revision’s proposed General Fund Reserve would be reduced from $509 million to $199 million.

General Government

Savings on Contract Renegotiations (Control Section 5.50). The May Revision adds Control Section 5.50, which would authorize the Administration to develop and implement a plan to generate and capture savings of up to $100 million ($50 million General Fund) or more through operational efficiencies in areas such as contracting, leasing, and procuring goods and services.

Employee Compensation (Control Section 4.10). The Governor's Budget directed the Department of Personnel Administration (DPA) to negotiate through the collective bargaining process a reduction of $855 million ($470 million General Fund) in 2003-04 employee compensation expenditures. In anticipation of changes, the Governor's Budget did not include any new funds for employee compensation increases and also assumed a net reduction of $95.5 million ($65.9 million General Fund) from departments' base budgets for employee expenses.

On April 1, 2003, the Director of Finance and the Director of DPA required departments to submit reduction and layoff plans. Control Section 4.10 will allow the Director of Finance to implement these plans and other savings strategies necessary to keep the budget in balance, as necessary. Additionally, the control section also permits the Director of Finance to rebalance between separate items of appropriation. This authority is restricted such that the net effect of all actions taken by this control section is to reduce appropriations by at least $95.5 million ($65.9 million General Fund), and actions taken pursuant to the section will be reported to the Legislature.

Workers' Compensation Reforms (Control Section 4.15). The Governor has proposed reforms to the Workers' Compensation System that could reduce workers' compensation costs to employers by 10 to 15 percent. The State could realize a savings of approximately $50 million ($30 million General Fund) as a result of these reforms. Control Section 4.15 allows the Department of Finance to reduce department budgets to capture these savings.

Payment of Interest on General Fund Loans. The May Revision expands the state's heavy reliance on internal and external borrowing. In February, the Administration authorized the issuance of a $11 billion Revenue Anticipation Warrant (RAW) in June 2003. The costs of these RAWs, including issuance and credit enhancement costs, were not budgeted in January. Accordingly, the May Revision proposes a net current-year augmentation of $91 million to pay the necessary costs on the RAWs.

However, the structure and maturity date(s) of the June RAWs and the sizing of 2003-04 Revenue Anticipation Notes (RANs) have not yet been determined. According to the Administration, the revised estimate for external borrowing costs in the 2003-04 fiscal year is $280 million, or an increase of $120 million over the January Budget.

Department of Personnel Administration. The May Revision proposes a General Fund augmentation of $9.3 million to continue funding for annuitants in the Rural Health Care Equity Program, which was initially proposed for elimination in the January Budget.

State Controller. The May Revision includes several new proposals for the State Controller's Office (SCO) which include:

- Human Resources Management System (21st Century Project). The May Revision includes a $1 million augmentation in reimbursement authority to the SCO for initiating the a new Human Resources Management System known as the 21st Century Project. This database management system will replace the existing employment history, payroll, leave accounting and position control systems which are 30 years old and desperately in need of upgrading. The proposal also includes 8 limited term personnel years.

- Warrant / Remittance Advice Production Volume Increase. The May Revision includes a net augmentation of $853,000 ($12,000 General Fund and $841,000 in reimbursements) to fund an estimated 3.2 million increase in production volumes over 2002-03. The additional volume is primarily related to the following programs: IHSS, Medi-Cal, PERS and STRS.

- Unclaimed Property Program. The May Revision proposes to eliminate interest payments on unclaimed property returned by the state to the rightful owners. This proposal will result in $7.4 million in General Fund savings, assuming current interest rates.

Secretary of State. The May Revision includes $1.1 million for increased postage costs for the November ballot and the redesign and printing of Voter Registration Cards. In addition, $1.1 million is proposed for payment of federal court-awarded attorney fees against the Secretary of State related to the de-certification of specific punch-card voting systems.

California Arts Council. The May Revision proposes reductions totaling $5.5 million in General Fund for the California Arts Council, bringing total reductions to the Arts Council to $14 million, including:

- State Operations — $532,000 and 18 positions for state operations. This reduction would retain $317,000 for the Arts in Education Program, $227,000 in the Performing Arts Program, and $956,000 for the Organizational Support Grants Program.

- Local Assistance — $5 million for local assistance projects and grant programs. This reduction would retain $1.6 million for the Arts in Education Program, $1.6 million for the Organizational Support Grants Program, $300,000 for the Performing Arts Program, and $1.5 million for the Cultural Institutions Program.

Governor's Reorganization Plan for Data Centers. The Administration has requested the State Chief Information Officer to develop a Governor's Reorganization Plan to consolidate the Health and Human Services Agency Data Center and the Stephen P. Teale Data Center beginning in fiscal year 2004-05, with the objective of positioning the State to implement data center services more effectively. While no immediate operational savings will be derived, there should be other benefits including potential administrative savings and savings from consolidated purchasing.

Department of Corporations. The May Revision includes the following adjustments to the Department of Corporations budget:

- State Corporations Fund. A transfer of $36 million from the State Corporations Fund to the General Fund. These funds are available due to a $40-million settlement related to conflicts of interest in Wall Street analyst research.

- Statewide Outreach on Predatory Practices. An increase of $4 million in special funds in order to provide consumer education outreach on predatory investment, financing, and lending practices. These funds are available from the settlement related to conflicts of interest in Wall Street analyst research.

Department of Housing and Community Development. The May Revision includes the following transfers and loans to the General Fund:

- A transfer of $7 million from the Self-Help Housing Fund.

- A transfer of $9.7 million and a loan of $31.7 million from the Housing Rehabilitation Loan Fund.

The May Revision includes the following fund shifts to the Housing and Emergency Shelter Trust Fund Act of 2002 (Proposition 42) bond funds and resultant transfers to the General Fund:

- A fund shift and transfer to the General Fund of $12.6 million from the Self-Help Housing Fund.

- A fund shift and transfer to the General Fund of $27.1 million from Farmworker Housing Grant Fund.

Technology, Trade, and Commerce Agency. The May Revision continues reductions from January totaling $22.8 million General Fund and 156.4 positions, and proposes the following restorations:

- **Manufacturing Technology Program.** $2.1 million in reimbursements from the Employment Training Fund and 1.0 position for an interagency agreement with the Employment Training Panel to administer $2 million in local assistance grant funds for the Manufacturing Technology Program.
- **Tourism Commission Assessments.** $929,000 in reimbursement authority to restore 7.5 positions to collect the industry assessments on behalf of the nonprofit Tourism Commission.
- **Office of Military Base Reuse and Retention.** $180,000 General Fund and 1.0 position to restore funding for the Office to continue to represent California's interests before the next Base Realignment and Closure Round in 2005.
- **California Main Street Program.** $126,000 General Fund to restore funding for 1.0 position for the California Main Street Program.
- **Tourism Marketing Contract Funds.** $2.5 million General Fund for tourism marketing in conjunction with the Tourism Commission.

Employment Development Department. The May Revision includes over $17 billion total funds, a net increase of approximately $7 billion from the Governor's January 10 proposal. Major adjustments include:

- An augmentation of $1.4 billion from Reed Act federal funds due to increased Unemployment Insurance claims and duration of claims. Employers pay taxes to the federal government to fund unemployment insurance.

- An augmentation of $67.3 billion special funds and 14.1 positions due to increased Disability Insurance claims and duration of claims.

- An augmentation of $13.6 million special funds and 255 positions to implement the Family Temporary Disability Insurance Program.

- An augmentation of $3 million from Reed Act federal funds and 46 positions to prevent Unemployment Insurance fraud.

- An augmentation of $600,000 special funds to implement the Treasury Offset Program. This program recoups federal tax refunds to offset state tax liabilities. The May Revision estimates the program will generate $14.3 million in General Fund revenue.

- A reduction of $88.9 million federal Workforce Investment Act funds.

Department of Industrial Relations, Workers' Compensation. The May Revision proposes budget bill language and Control Section language for the Workers' Compensation program. The budget bill language would allow the Department of Finance to loan General Fund to the Workers' Compensation Administration Revolving Fund when receipts to the fund are delayed. Control Section 4.15 would allow the Department of Finance to reduce Workers' Compensation budget appropriations to reflect savings achieved from reforms.

Department of Veterans Affairs. The May Revision includes:

- An augmentation of $1.9 million General Fund and 28 positions to shift central services from the Yountville Home to headquarters and to establish a new Director of Medical Services to oversee medical services in the three state homes.
- A reduction of $1.8 million General Fund and 60 positions due to reorganizing functions at the Yountville Home.
- A reduction of $1.7 million General Fund and 116.6 positions due to closure of the Barstow Home skilled nursing facility. The reduction is partially offset by an augmentation of $357,000 General Fund to convert intermediate care facility beds at Chula Vista home to skilled nursing facility beds.
- Budget bill language to forgive General Fund loans for the Yountville Home from 1999-00 and 2001-02. As a result, the General Fund would not be repaid $8.3 million owed by Yountville. Despite the alleged inability to repay loans from the General Fund, the department has proceeded to request another General Fund loan totaling $4 million loan for 2002-03. In addition to the loan request, the Department has requested funds for several 2002-03 General Fund deficiencies.

Local Government

By far the most significant local government issue is the Governor's State/Local Realignment proposal described above. In addition to the restructuring proposal, there are various other budget proposals having a direct impact on local government. These include:

- **Transfer of Unencumbered Low and Moderate Income Housing Funds to the State.** The Governor's Mid-year Spending Reduction Proposal would have shifted up to $500 million in annual property tax increment to the General Fund. The May Revision withdraws this proposal.
- **School District Redevelopment Increment**. The May Revision continues to propose to capture $250 million in redevelopment property tax increment in 2003-04 and redirect those funds into local schools. The proposal would increase this redirection over several years to approximately $900 million annually.
- **VLF Backfill**. The January Budget proposed to eliminate the VLF backfill to cities and counties effective February 1, 2003 for a current-year savings of $1.27 billion and budget year savings of $2.9 billion. The May Revision withdraws this proposal and instead, it assumes that the VLF trigger is pulled and $4.2 billion in taxes are raised thus relieving the General Fund of the backfill liability.
- **Williamson Act Subvention**. The January Budget proposed to eliminate the Williamson Act subvention effective July 1, 2003. The May Revision withdraws this proposal with a $40.1 million General Fund augmentation.
- **Booking Fees**. The May Revision continues propose to eliminate the $38.2 million General Fund backfill of booking fees allocated to city police chiefs.
- **Technology Grants.** The May Revise continues to fund $18.5 million for technology grants to local law enforcement.
- **Rural County Sheriffs.** The May Revise continues to fund $18.5 million for grants to small and rural county sheriffs.
- **COPS – Juvenile Crime.** The May Revise continues to fund $232.6 million total ($116.3 million each) for the Citizens Option for Public Safety (COPS) and Juvenile Crime Prevention programs.

Reimbursable State Mandated Local Programs (Non-Education)

The State's total estimated obligation for non-education mandates through 2003-04 is approximately $915 million. The Budget Act of 2002 deferred payment for non-education mandate obligations from prior years as well as the 2002-03 costs of those mandates. The 2003-04 Governor's Budget proposed to continue the deferral of mandates payments, preserving the obligation of local governments to provide the mandated activities as well as the obligation of the State to reimburse those entities in the future, with interest.

The May Revision proposes the suspension of 34 mandates and the repeal of one mandate. The suspension action would reduce the annual obligation for non-education mandates by approximately $32.9 million and is detailed below in Table 10. The Administration has stated that they intend to repeal these 34 mandates through subsequent legislation in 2004-05. The mandate proposed for repeal, is the *Open Meetings Act* (Chapter 641, Statutes of 1986), which requires local entities to post agendas regarding items to be considered at meetings, as well as the time and location of the meetings. This mandate requires local governments to perform activities that any responsible public agency should perform without being mandated to do so, and retaining it would continue the State's obligation to pay the cost. Repealing this mandate will save the state $6.6 million annually. Mandates such as this result in additional General Fund costs without producing a significant benefit to the State. The May Revision continues to assume deferral of other mandates totaling $162.6 million in 2003-04.

Table 10

Suspended Mandate	**Departmental Budget**
Deaf Teletype Equipment	Office of Emergency Services
CPR Pocket Masks	Office of Emergency Services
Misdemeanors: Booking and Fingerprinting	Justice
Voter Registration Roll Purge	Secretary of State
Handicapped Voter Access Information	Secretary of State
Local Elections Consolidation	Secretary of State
Democratic Party Presidential Delegates	Secretary of State
Election Materials	Secretary of State
Victims' Statements (Minors)	Board of Corrections
Animal Adoption	Food and Agriculture
Elder Abuse, Law Enforcement Training	Peace Officer Standards and Training
Law Enforcement Sexual Harassment Training	Peace Officer Standards and Training
Personal Alarm Devices	Industrial Relations
Adult Felony Restitution	Victims Compensation and Government Claims Board
Property Tax-Family Transfers	Tax Relief
Senior Citizens' Mobile Home Property Tax Deferral	Tax Relief
Proration of Fines and Court Audits	Local Government Financing
Filipino Employee Surveys	Local Government Financing
Involuntary Lien Notices	Local Government Financing
Lis Pendens	Local Government Financing
SIDS Contacts by Local Health Officers	Health Services
SIDS Notices	Health Services
Guardianship/Conservatorship Filings	Developmental Services
Short-Doyle Case Management	Mental Health
Short-Doyle Audits	Mental Health
Residential Care Services	Mental Health
Structural and Wildland Firefighter Safety Clothing and Equipment	Industrial Relations
Domestic Violence Information	Local Government Financing
Two Way Traffic Signals	Caltrans
Mineral Resource Policies	Conservation
Investment Reports	State Treasurer's Office
County Treasury Oversight Committees	State Treasurer's Office
Child Abuse Treatment Services Authorization and Case Management	Social Services

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